

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE



BOARD OF PATENT APPEALS AND INTERFERENCES

REPLY BRIEF

Appellants:

Jay S. Walker,
Daniel E. Tedesco,
Stephen C. Tulley,
Wen Yan Lin

) Group Art Unit: 3625

)

) Examiner: Matthew S. Gart

)

)

)

Application No.: 09/540,034

)

)

Filed: March 31, 2000

)

)

For: SYSTEMS AND METHODS
WHEREIN A THIRD PARTY
SUBSIDY AND A
MERCHANT SUBSIDY
FACILITATE A
TRANSACTION

)

)

)

)

)

)

Dear Sir:

Appellants hereby reply to the Supplemental Examiner's Answer mailed January 23, 2006 (numbered as Paper No. 20040815 [sic—should have been a new Paper No.]).

TABLE OF CONTENTS

INTRODUCTION.....	3
ARGUMENTS.....	4
Page 5 - Group 1.3.1 (Limitation Not Suggested)	8
Additional Limitation of Claims not Suggested	10
Page 6 - Group 1.3.2 (No Motivation to Combine).....	11
Page 7 - Group 1.3.3 (Level of Skill).....	12
Page 8 - Group 2.3.1 (Limitation Not Suggested)	15
Page 9 - Group 3.3.1 (Limitation Not Suggested)	16
Page 11 - Group 4.3.1 (Limitation Not Suggested)	16
Page 12 - Group 4.3.2 (No Motivation to Combine).....	17
Page 21 - Group 13.3.1 (Limitation Not Suggested)	17
Page 21 - Group 13.3.2 (Limitation Not Suggested)	18
Page 22 - Group 13.3.3 (Limitation Not Suggested)	19
Page 23 - Group 14.3.1 (No Motivation to Combine).....	20
Page 24 - Group 15.3.2 (Limitation Not Suggested)	21
CONCLUSION	22

INTRODUCTION

This Reply Brief is in response to the Examiner's new Supplemental Examiner's Answer. This Reply Brief replaces the previous Reply Brief filed on October 27, 2004 in response to the first Examiner's Answer (mailed August 27, 2004).

Appellants note the Examiner's withdrawal of all of the rejections based on 35 U.S.C. § 101 alleging lack of statutory subject matter. [Supplemental Examiner's Answer, pages 2, 8, 9, 11, 12, 13, 14-15, 16, 17, 18, 18-19, 19-20, 21, 22, 23, 24-25].

ARGUMENTS

Appellants refer to the Examiner's arguments in the Supplemental Examiner's Answer by reference to (i) the Group (from Appellant's Appeal Brief) that the argument is directed to, and (ii) the corresponding page number of the Supplemental Examiner's Answer where the argument begins.

Note in general that the Examiner asserts several times that, in Storey, merchants provide subsidies. (Other times the Examiner implies that Storey does not so teach - see, e.g., Supplemental Examiner's Answer, page 21, Group 13.3.1, 2nd sentence). However, it is clear that the merchants in Storey do not provide any "subsidies" to the customer. On the contrary, the merchants in Storey are merely available to sell a product to the customer, and such products are paid for by the original store that awards the points.

Please also note that in several instances, the Examiner bases a rejection on subject matter that was allegedly "general knowledge available at the time of Applicant's invention." [See, e.g., Supplemental Examiner's Answer, page 17, Group 9.3.1, 3rd sentence]. The Examiner appears to concede that the cited references are not evidence of such "general knowledge." Despite the requirement to do so, however, the Examiner does not identify any other objective evidentiary source of record in support of this alleged "general knowledge." The Examiner appears to believe that such objective evidence is not necessary if the Examiner elects to characterize the alleged subject matter as "general knowledge."

Appellants do not agree that a characterization by an examiner of asserted subject matter as "general knowledge" makes that subject matter exempt from the evidentiary burdens (i.e., substantial evidence) required to establish a prima facie case for rejection. Of course, this lack of evidence means there is no support in the

record as to either (1) whether such a suggestion could have been known to one of ordinary skill in the art or (2) when such a suggestion might have been known, and thus no prima facie case has been established. The record only reflects that the alleged “general knowledge” was known to the Examiner at the time the rejection was authored.

Appellants note that although a motivation to combine does not have to be identifiable in the specific references whose teachings are being combined, an asserted motivation to combine must still be supported by substantial and objective evidence made of record (e.g., if teachings of references A and B are being combined, the proposed motivation may be supported by a reference C (or some other evidentiary source)). It is possible that the Examiner has interpreted the case law that notes that a motivation to combine does not have to appear in the specific references being combined as meaning that a motivation to combine does not have to be supported by any reference if it is “general knowledge.” Appellants do not agree with this interpretation. In Graham v. John Deere Co., 383 U.S. 1, 148 U.S.P.Q. 459 (1966), the Supreme Court established the test for consideration and determination of obviousness under 35 U.S.C. § 103. In Iron Grip Barbell Co. v. USA Sports Inc., the Federal Circuit explained how obviousness must be determined using the four-part Graham test:

we employ the four-part test set forth in Graham v. John Deere Co., 383 U.S. 1 (1966). This test requires us to examine

- (1) the scope and content of the prior art;
- (2) the level of ordinary skill in the art;
- (3) the differences between the claimed invention and the prior art; and
- (4) the objective evidence of nonobviousness. *Id.* at 17-18; see also 35 U.S.C. § 103 (2000).

392 F.3d 1317, 1320, 73 U.S.P.Q.2D (BNA) 1225 (Fed Cir. 2004); see also, Rouffet, 149 F.3d at 1355. Accordingly, objective evidence is required.

Unsupported assessments of the prior art are unacceptable for purposes of review. “Rather, the Board must point to some concrete evidence in the record in support of these findings. To hold otherwise would render the process of appellate review for substantial evidence on the record a meaningless exercise.” In re Zurko, 258 F.3d at 1385-86. “[D]eficiencies of the cited references cannot be remedied by the Board’s general conclusions about what is ‘basic knowledge’ or ‘common sense,’” nor may the Board simply reach conclusions based on its own understanding or experience. In re Zurko, 258 F.3d at 1385; Lee, 277 F.3d at 1344. Accordingly, the Examiner’s mere assertion that alleged subject matter was “general knowledge” is not objective, and cannot support a prima facie case of obviousness.

Evidence of a suggestion, teaching, or motivation to combine may flow from the prior art references themselves, the knowledge of one of ordinary skill in the art, or, in some cases, from the nature of the problem to be solved. In re Dembiczak, 175 F.3d 994, 999, 50 U.S.P.Q.2D 1614, 1617 (Fed. Cir. 1999); see also, e.g., Nat’l Steel Car, Ltd. v. Canadian Pac. Ry., Ltd., 357 F.3d 1319, 1337-39, 69 U.S.P.Q.2D 1641, 1655-56 (Fed. Cir. 2004) (finding that whether or not a drawing and disclosure had been disseminated to a sufficiently broad public so as to give either the status of a prior art reference, they (and corresponding witness testimony) were evidence relevant to whether a motivation to combine was implicit in the knowledge of one of ordinary skill in the relevant art).

“The range of sources available, however, does not diminish the requirement for actual evidence” showing the teaching or motivation to combine—“particular findings regarding the locus of the suggestion, teaching, or motivation to combine the prior art references” must be made. Dembiczak, 175 F.3d at 999-1000 (“Combining prior art references without evidence of such a suggestion, teaching,

or motivation simply takes the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability--the essence of hindsight."). See also, In re Kotzab, 217 F.3d 1365, 1371, 55 U.S.P.Q.2D 1313, 1317 (Fed. Cir. 2000) ("Whether the Board relies on an express or an implicit showing [of a teaching, motivation, or suggestion to combine or modify], it must provide particular findings related thereto.")

Any findings of prior knowledge in the field of the invention (including purported motivations to combine) must be supported by tangible teachings of materials made of record. Cardiac Pacemakers, 381 F.3d at 1376 ("Prior knowledge in the field of the invention must be supported by tangible teachings of reference materials "); Gambro Lundia AB v. Baxter Healthcare Corp., 110 F.3d 1573, 1578-79, 42 U.S.P.Q.2D 1378, 1383 (Fed. Cir. 1997) ("However, the record must provide a teaching, suggestion, or reason to substitute computer-controlled valves for the system of hoses in the prior art. The absence of such a suggestion to combine is dispositive in an obviousness determination.").

Please also note that with respect to the Examiner's dismissal of the need to find a level of ordinary skill in the art in order to establish a prima facie case of obviousness, a determination of the level of ordinary skill in the art is an integral part of the Graham analysis. Ruiz v. A.B. Chance Co., 234 F.3d 654, 666, 57 U.S.P.Q.2D 1161, 1168 (Fed. Cir. 2000) (citing Custom Accessories Inc. v. Jeffrey-Allan Indus., Inc., 807 F.2d 955, 962, 1 U.S.P.Q.2D 1196, 1201 (Fed. Cir. 1986)). Ascertaining a level of ordinary skill in the art is necessary. M.P.E.P. § 2141.03.

Page 5 - Group 1.3.1 (Limitation Not Suggested)

Appellants titled their Section 1.3.1 "No showing that the references suggest *determining a third party subsidy offer to be provided to the customer*" because neither reference suggests a third party subsidy offer, much less determining such an offer.

Storey has no hint of any third party subsidies whatsoever, much less *determining a third party subsidy offer to be provided to the customer*. There is also no offer in Storey. See, Appeal Brief, page 19.

The Examiner clearly concedes this failing in Storey in the Supplemental Examiner's Answer. The Examiner states (without support) that Storey, not Krauss, is relied upon to show determining such an offer, but then the Examiner explains how such an offer is suggested by Krauss.

Specifically, the Examiner states in the second paragraph of the argument for Group 1.3.1 that "Krauss was not offered for teaching an offer". Paradoxically, in the very next paragraph, the Examiner asserts that "Krauss' offer is just like the offer defined in Appellant's specification." There is no other description of how Storey might suggest an offer or even a third party subsidy.

Regarding the assertion that Krauss suggest an offer for a third party subsidy, Appellants specifically refuted this argument in the Appeal Brief, page 17.

The Examiner's argument is, in fact, an argument that Krauss discloses a third party subsidy in some form. However, there is no offer in Krauss (e.g., there is nothing which the customer can accept or reject).

The Examiner's confusion regarding subsidies and offers for subsidies is apparent from the statement on page 5 of the Supplemental Examiner's Answer:

"Therefore, Appellant's 'offer' is just a benefit that enhances a transaction".

Since neither reference suggests *determining a third party subsidy offer to be provided to the customer*, neither reference confers the advantages of this limitation, as would be apparent to one of ordinary skill in the art, and as described, e.g., in the Appeal Brief, page 15, Section 1.2, and in the present application.

Additional Limitation of Claims not Suggested

Independent claim 1 (and dependent claims 2 - 63, 68 - 69) include the following limitation:

evaluating whether a merchant benefit will be applied to the transaction

The Examiner proposes that this feature is disclosed by Storey. However, Storey discloses that the customer may redeem award points. Even if these award points could be considered a 'merchant benefit', it is clear that in Storey the customer decides whether a merchant benefit will be applied. This differs from claim 1 where the customer clearly cannot perform the recited method.

Thus, in this interpretation of Storey the entity that performs the first step of claim 1 (*determining a third party subsidy offer to be provided to the customer*) is not the entity that performs the second step of claim 1 (*evaluating whether a merchant benefit will be applied*).

This clearly teaches away from the embodiment of claim 1. Accordingly, Storey, whether or not combined with the other art of record, does not suggest the embodiment of claim 1.

Independent claim 67 contains limitations which parallel those of claim 1, and is deemed patentable for at least the same reasons.

Independent claim 70 contains limitations which parallel those of claim 1, and is deemed patentable for at least the same reasons.

Page 6 - Group 1.3.2 (No Motivation to Combine)

The Examiner's arguments here were repeated throughout the Supplemental Examiner's Answer with respect to many claims.

In this portion of the Supplemental Examiner's Answer the Examiner generally asserts that either (1) the motivation provided in the Final Office Action would have prompted the proposed combination, or (2) the knowledge generally available would have prompted the proposed combination.

This second motivation was raised for the first time in the Examiner's Answer.

With respect to the **first motivation**, the Examiner has essentially argued the following:

since Storey suggests that more merchants lead to an increase in products that are available, the teachings of Storey can be combined with the teachings of *any* other system involving a merchant

Clearly, this argument is fallacious. By this logic, if a reference taught that additional components made a machine more valuable, then that reference could be combined with the teachings of *any* other component, no matter how different that component was.

With respect to the **second motivation**, the Examiner has essentially provided (without any support in the references) the same argument: that the teachings of Storey can be combined with the teachings of *any* other system involving a merchant.

Page 7 - Group 1.3.3 (Level of Skill)

The Examiner's arguments here were repeated throughout the Supplemental Examiner's Answer with respect to many claims.

Appellants argued that the Examiner had failed to show the level of ordinary skill in the art, and thus has failed to consider the level of ordinary skill in making the obviousness determination. The Examiner responded by arguing that:

(1) Appellants have not shown that the level of ordinary skill in the art is low;

(2) Appellants have "admitted" that an obviousness rejection does not require a finding as to the level of ordinary skill in the art;

(3) the references indicate the level of skill in the art (how artisans "solved the problem of providing customer subsidies"); and

(4) Appellants arguments are spurious, and equivalent to an argument that there is no sentence stating the level of skill in high.

With respect to **(1)**, the Examiner, not Appellants, has the duty to initially present a *prima facie* case of unpatentability. In re Fritch, 972 F.2d 1260, 1265 (Fed. Cir. 1992). Appellants have no duty to demonstrate patentability if the Examiner has not presented a *prima facie* showing. In re Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

To make a *prima facie* showing of obviousness (as the Examiner attempted) requires a demonstration of several factual predicates, including the level of ordinary skill in the art. Graham v. John Deere Co., 383 U.S. 1, 14, 15 L. Ed. 2d 545, 86 S. Ct. 684 (1966); In re Rouffet, 149 F.3d 1350, 1355 (Fed. Cir. 1998).

Such factual findings must be supported by substantial evidence. Dickinson v. Zurko, 527 U.S. 150, 144 L. Ed. 2d 143, 119 S. Ct. 1816 (1999).

There is no such evidence of record, and the Examiner has not so alleged.

The *Graham* analysis includes a factual determination of the level of ordinary skill in the art. Without that information, obviousness cannot be assessed properly because the critical question is whether a claimed invention would have been obvious at the time it was made to one with ordinary skill in the art. Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc., 807 F.2d 955, 962 - 963 (Fed. Cir. 1986).

It is reversible error if the required factual determinations are not actually made or it is not clear that the required factual determinations were considered while applying the proper legal standard of obviousness. Specialty Composites v. Cabot Corp., 845 F.2d 981, 990 (Fed. Cir. 1988)

With respect to (2), Appellants never so conceded, and in fact argued the opposite. Appeal Brief, pages 19 - 20.

With respect to (3), the references do not demonstrate that the level of ordinary skill is high, and do not demonstrate "how artisans ... solved the problem of providing customer subsidies". In any event, how artisans ... solved the "problem of providing customer subsidies" is immaterial to the level of ordinary skill in the art.

The hypothetical person of ordinary skill in the art should not be defined as a person working in the field of the invention who is likely to be familiar with the relevant literature. Helifix Ltd., v. Blok-Lok, Ltd. 208 F.3d 1339, 1347 (Fed. Cir. 2000). Instead, the factors listed in Custom Accessories (Custom Accessories, Inc.

v. Jeffrey-Allan Indus., Inc., 807 F.2d 955, 962 (Fed. Cir. 1986)) should be considered.

"Factors that may be considered in determining level of skill include: type of problems encountered in art; prior art solutions to those problems; rapidity with which innovations are made; sophistication of the technology; and educational level of active workers in the field." Environmental Designs, Ltd. v. Union Oil Co., 713 F.2d 693, 696, 218 U.S.P.Q. 865, 868 (Fed. Cir. 1983), cert. denied, 464 U.S. 1043, 79 L. Ed. 2d 173, 104 S. Ct. 709, 224 U.S.P.Q. (BNA) 520 (1984); Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc., 807 F.2d 955, 962 - 963 (Fed. Cir. 1986). No such findings have been made or even alleged.

In fact, as argued in the Appeal Brief, no reference cited by the Examiner even addresses any problems that are addressed by the present invention (e.g., as described in the Appeal Brief), and none of the references attempt to bring together two distinct manners of benefiting a transaction, as do the present embodiments.

Storey has nothing to do with subsidies or offers. Krauss has nothing to do with offers. Krauss and Storey have nothing to do with evaluating whether a merchant benefit will be applied to a transaction which receives a third party subsidy offer.

With respect to (4), Appellants note that there still has been no finding that the level of ordinary skill is high. The only evidence the Examiner has offered regarding the level of ordinary skill is (for the first time in the Reply Brief) that since Krauss teaches a specific type of subsidy, Krauss therefore shows "how artisans ... solved the problem of providing customer subsidies".

Clearly, the Examiner's assertions have nothing to do with specific factual findings considering the factors listed in Custom Accessories. The Examiner's

assertions also have nothing to do with how the references would be viewed by one of ordinary skill in the art at the time the invention was made.

Thus, since the Examiner has offered no substantial evidence of a required finding in the Graham analysis, there has been no *prima facie* showing of obviousness.

Page 8 - Group 2.3.1 (Limitation Not Suggested)

Appellants argued that the Examiner erred in stating that Storey discloses "*evaluating whether a merchant benefit will be applied to the transaction based on the third party benefit*". Appellants also argued that Storey does not suggest doing anything *based on a third party benefit*, and that Storey does not suggest

evaluating whether a merchant benefit will be applied to the transaction based on a third party benefit

The Examiner responded only by arguing that Storey "involves third party benefits".

Clearly, there is no suggestion in Storey (and the Examiner has not argue otherwise) that there is any evaluating whether a benefit will be applied to a transaction based on another benefit.

Page 9 - Group 3.3.1 (Limitation Not Suggested)

With respect to the claim limitation:

determining [a third party subsidy offer to be provided to the customer] in response to an indication that the customer is interested in purchasing the item

As argued in Section 3.2 of the Appeal Brief, this claim limitation is advantageous because the offer is provided at a time when the customer is most susceptible to the offer - when the customer is interested in purchasing the item. Thus the offer may be intelligently targeted in order to maximize the chance that the offer is accepted. Since the customer is interested in the item, the customer would be interested in having a third party benefit applied to that transaction.

The Examiner argues that two mutually exclusive points in time are in fact the same time. The Examiner argues that

the time when a customer is interested in purchasing the item
is the same as

after a customer has already purchased the item

Clearly these two times are in fact opposite points in time, defined with respect to when an item is purchased. This is an unreasonable interpretation.

Page 11 - Group 4.3.1 (Limitation Not Suggested)

As argued above with respect to Group 3.3.1, the Examiner's arguments are untenable.

Page 12 - Group 4.3.2 (No Motivation to Combine)

The Examiner argues that since Storey teaches "receiving an indication of the subsidy offer", it would be obvious to combine Storey with Krauss.

In addition to the arguments above regarding the lack of a motivation to combine, Storey has no hint of any third party subsidies whatsoever, much less *determining a third party subsidy offer to be provided to the customer*. There is also no offer in Storey. See, Appeal Brief, page 19.

The Examiner asserts several times that, in Storey, merchants provide subsidies. However, it is clear that the merchants in Storey do not provide any "subsidies" to the customer. On the contrary, the merchants in Storey are merely available to sell a product to the customer, and such products are paid for by the original store that awards the points.

Page 21 - Group 13.3.1 (Limitation Not Suggested)

The Examiner offers what can only be termed a non sequitur. The Examiner argues that since more merchants would make the Storey system better, it would have been obvious to modify Storey to yield:

determining a merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount

Page 21 - Group 13.3.2 (Limitation Not Suggested)

The Examiner has apparently misinterpreted the claim limitation.

Claim **64** generally recites:

*determining a merchant subsidy amount based on
a retail price associated with the item
less
the third party subsidy amount*

*determining a retail margin based on
a retail price associated with the item
less
a cost of the item to the merchant*

*applying the merchant subsidy amount to the transaction if
the retail margin
less
the merchant subsidy amount
is at least equal to a minimum acceptable margin associated
with the item*

The particular limitation of claim **64** which the Examiner misinterpreted is

*determining a retail margin based on
a retail price associated with the item
less
a cost of the item to the merchant*

The *retail margin* is used in subsequent calculations, in particular a calculation employing this *retail margin*, a subsidy amount, and a minimum acceptable margin to determine whether to apply a subsidy amount.

The Examiner asserts that

"Appellant's determining step is basically drawn to selling an item for a profit. Appellant cannot seriously argue one of ordinary skill in the art would not be motivated to sell Storey's products for a profit."

However, this retail margin is not used to "sell an item for a profit", and more importantly there is no hint that Storey system determines the retail margin, or even needs to determine the retail margin.

Page 22 - Group 13.3.3 (Limitation Not Suggested)

The Examiner has apparently misinterpreted the claim limitation.

The particular limitation of claim 64 which the Examiner misinterpreted is

applying the merchant subsidy amount to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item

In other words, the particular limitation which the Examiner misinterpreted involves applying a subsidy under only if certain conditions are true (i.e. selectively applying a subsidy).

The Examiner misinterprets the step as:

"Appellant's [sic] applying step is basically drawn to selling an item for a profit."

Since the limitation does not involve "selling for a profit", and more particularly since the Examiner has still not shown the particular limitation to be suggested by any reference, the Examiner's position is untenable.

Page 23 - Group 14.3.1 (No Motivation to Combine)

The claim limitation in dispute generally includes:

not revealing the third party subsidy amount and the merchant subsidy to the customer

Appellants argued that there is no evidence of record that the particular systems disclosed by either Storey or Krauss could in any way benefit from concealing certain types of information from the customer.

In response, the Examiner provided no such evidence, and only argued that:

"concealing a party's costs during a business negotiation is well within the knowledge generally available to the skilled artisan"

However, even assuming the Examiner's reading of the references were accurate, Krauss and Storey clearly teaches away from such concealment.

It would make no sense to conceal the subsidy from the customers in Krauss since the subsidy is hoped to entice the customer into making a purchase.

Similarly, it would make no sense to conceal, e.g., the points from the customers in Storey since the points are hoped to entice the customer into making purchases.

Thus, such a "motivation" would not prompt the combination of the cited references, much less in any manner which rendered the claim obvious.

Page 24 - Group 15.3.2 (Limitation Not Suggested)

The claim limitation in dispute generally includes:

determining a merchant subsidy amount to be applied to the transaction

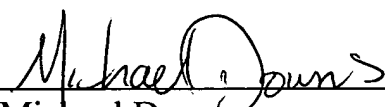
The Examiner argues that the points of Storey are subsidies. However, under this interpretation, the Examiner concedes that the subsidies / points are applied to a future transaction, not the transaction (i.e. the transaction which also involves a third party subsidy).

CONCLUSION

For the foregoing reasons, Appellants respectfully request that the Examiner's rejections be reversed.

Respectfully submitted,

March 23, 2006
Date



Michael Downs
Attorney for Appellants
Registration No. 50,252
(203) 461-7292 /voice
(203) 461-7300 /fax